

**Testimony before the Insurance and Real Estate Committee
March 2, 2017**

Good Afternoon Senator Larson, Senator Kelly, Representative Scanlon, and members of the Committee. My name is Margherita Giuliano. I am a pharmacist and Executive Vice President of the Connecticut Pharmacists Association, a professional organization representing close to 1,000 pharmacists in the state, and I submitting testimony on HB 7124 An Act Concerning Maximum Allowable Cost Lists & Disclosures by PBMs.

The CPA strongly supports this legislation because it is a step in the right direction when we are looking to impact the high price of prescription drugs. This legislation defines what “maximum allowable cost” (MAC) is and further determines how generic drugs go on or off the maximum allowable cost list. The legislation requires that this information is provided in a timely manner to the pharmacies.

MAC lists are used by pharmacy benefit managers (PBM) and employer health benefit plans to reimburse pharmacies for generic medications. PBMs are generally employed by a health insurance plan and large self-insured employers to manage the prescription benefit piece of the plan. The PBM maintains lists of covered medications for each plan and the maximum allowable cost (MAC) that will be reimbursed to the pharmacy for each drug. The PBM is responsible for updating the MAC list of covered drugs to reflect market prices and thereby ensure a fair reimbursement to network pharmacies. Problems arise when lists change rapidly without informing the pharmacies and when pharmacies are unable to buy the drug at the MAC the plan is willing to pay. With the dramatic price swings we have seen in generic drug prices over the past few years, community pharmacies have been impacted because there is an unnecessary lag between the time the price increases and when the PBM adjusts the amount will be reimbursed to the pharmacy for dispensing that drug.

Because PBMs don’t provide a formula of how they determine what MAC is, pharmacies are not told what they will be reimbursed for the drug until they submit the claim to the PBM. So, when the prices rise, pharmacies don’t know if the PBM has adjusted the amount in a timely manner. Our pharmacies have shared with us that in fact updating the MAC price list can sometimes take between 2 and 6 months. In this age of technology, this is unacceptable. By reimbursing pharmacies at outdated prices this becomes a profit center for the PBMs. In recognition of this the Centers for Medicare and Medicaid Services now require Part D plans to update their price list every seven days and to reflect actual market prices.

These MAC lists are also an opportunity for PBMs to manipulate prices for their own benefit. One might think that the MAC price for metoprolol would be the same for every plan that the PBM manages. That is not the case. Since there is no formula used to determine MAC, prices can and do vary across plans.

In summary, this proposed legislation will:

- Require PBMs to maintain an updated list of generic drugs that meet the criteria of a MAC drug and that they must remove the drug from the list within 3 business days of learning the drug no longer meets the criteria.
- Provide an appeal process for pharmacies to the PBMs and plans if a drug is not available from major wholesalers in the region at the MAC reimbursement price.
- Allows the Insurance Commissioner the ability to conduct investigations and hold hearings where applicable

This legislation will begin the process of understanding the pricing behind generic drugs. However, this legislation does not go far enough in providing the transparency that is greatly needed in the drug pricing industry.

As the state and the public struggle with the challenges of rising drug prices, following the money is how we make prudent decisions in regulating an unregulated industry. There needs to be transparency in how MAC prices are determined. These formulas should be available to pharmacies before contracting and the PBMs should use benchmark numbers as a basis for a reimbursement formula.

As always, the CPA wants to serve as a resource to legislators as you navigate these complex policy and fiscal issues. We welcome the opportunity to meet with any of you to delve into these issues so you have a complete understanding of the various pricing issues, red tape and regulatory components that many pharmacies, that are small businesses within your home legislative districts, struggle with every day.